

December 22, 2023

Board of Directors
c/o Mechanical Licensing Collective
333 11th Avenue South, Suite 200
Nashville, TN 37025

Dear Board of Directors:

Pursuant to 17 U.S.C. § 115(d)(3)(D)(ix)(II) (“MMA Audit Provision”), Mechanical Licensing Collective (“MLC”) is directed to retain a qualified auditor in 2023 that shall examine the books, records, and operations of the collective.

We were engaged by MLC in March 2023 to audit its financial statements. The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence. Our firm is nationally-recognized, including recognition in 2022 and 2023 on the Forbes list of America’s Best Tax and Accounting Firms, as well as Inside Public Accounting’s Top 25 Accounting Firms.

We completed our audit in 2023, covering the financial statements for the calendar year 2022¹, which comprise the statement of financial position as of December 31, 2022, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America (“GAAS”). Our opinion concludes that the financial statements present fairly, in all material respects, the financial position of MLC as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

The MMA Audit Provision directs the qualified auditor retained by MLC to further prepare a report for the board of directors addressing the implementation and efficacy of procedures of MLC:

1. for the receipt, handling, and distribution of royalty funds, including any amounts held as unclaimed royalties;
2. to guard against fraud, abuse, waste, and the unreasonable use of funds; and
3. to protect the confidentiality of financial, proprietary, and other sensitive information.

Our audit was solely designed to audit the financial statements of the MLC. This letter reports on our observations, within the context of our normal audit procedures, as to each of these three particular subjects.

¹ We were also engaged by MLC in 2021 and 2022 to audit its financial statements from its inception (March 5, 2019) through 2020 and for 2021, respectively. Those audits were completed in 2021 and 2022, respectively, and in our opinion, those audited financial statements presented fairly, in all material respects, the financial position of MLC as of December 31, 2021 and 2020, and the changes in its net assets and its cash flows for the periods then ended, in accordance with accounting principles generally accepted in the United States of America.

Receipt, Handling, and Distribution of Royalty Funds

An audit of financial statements includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances. Accordingly, as part of our audit, we considered the internal controls of MLC for the purpose of determining our audit procedures.

In performing our audit in accordance with GAAS, we gained an understanding of MLC and its environment in accordance with AU-C Section 315 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (“AU-C Section 315”), as issued by the American Institute of Certified Public Accountants (“AICPA”). As part of obtaining an understanding of controls that are relevant to the audit, we evaluated the design of those controls and determined whether they have been implemented by performing procedures, in addition to inquiry of MLC’s personnel.

Specifically, we obtained and documented an understanding of MLC’s processes and the related controls for initiating, authorizing, recording, processing, and distributing/reporting royalty funds. We assessed that MLC’s activity-level controls of royalty funds were effectively designed and implemented.

Fraud, Abuse, Waste, and the Unreasonable Use of Funds

In performing our audit in accordance with GAAS, we obtained reasonable assurance that the financial statements as a whole were free from material misstatements, whether caused by fraud or error, in accordance with AU-C Section 240 *Consideration of Fraud in a Financial Statement Audit*, as issued by AICPA.

To gather evidence about the risks of fraud, we consider how and where MLC’s financial statements might be susceptible to material misstatement due to fraud or error, how management could perpetrate and conceal fraudulent financial reporting, and how assets of MLC could be misappropriated. As part of our normal audit procedures, in accordance with AU-C Section 315, we evaluated MLC’s culture of honesty and ethical behavior, process for identifying and responding to business risks relevant to financial reporting objectives, control activities relevant to the audit (e.g., multi-step review and approval process, signatory policy, etc.), and activities in monitoring internal control over financial reporting.

As described above, we gained an understanding of MLC and its environment in accordance with AU-C Section 315, which included evaluating components of MLC’s internal control regarding the information system (“IT”). We obtained an understanding of MLC’s IT environment, including the related business processes relevant to MLC’s handling and distribution of funds.

Confidentiality of Financial, Proprietary, and Other Sensitive Information

As part of our normal audit procedures, we evaluated how MLC controls and limits access to its systems. In particular, that sensitive information including banking, tax, and contact information of members is held and secured by MLC’s payment processing vendor. We have received the vendor’s SOC 2 Type II Certification for the period from December 1, 2021 through November 30, 2022 and noted that an unqualified² opinion was issued.

² An unqualified opinion indicates that the vendor’s controls, as described within the report, relevant to security, availability and confidentiality were designed and implemented throughout the period, and the controls stated in the Description were suitably designed to provide reasonable assurance that the service commitments and system requirements would be achieved based on the applicable services criteria if the controls operated effectively and if the subservice organizations and user entities applied the controls assumed in the design of the vendors controls throughout the period covered by the report. It also indicates that the controls, as described within the report, operated effectively to provide reasonable assurance that the service commitments and system requirements were achieved based on the applicable services criteria throughout the period, if the subservice organization and user entity controls assumed in the design of the vendors controls operated effectively throughout the period.

SOC for Service Organizations reports provide user management with the information they need about the service organization's controls to help assess and address the risks associated with an outsourced service. A SOC 2 report addresses controls at a service organization relevant to security, availability, processing integrity, confidentiality, or privacy.³

As discussed above, our audit of MLC's financial statements, completed in 2023, was conducted in accordance with GAAS. Our opinion concludes that the financial statements present fairly, in all material respects, the financial position of MLC as of December 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Respectfully submitted,



WithumSmith+Brown, P.C.

³ See <https://www.aicpa-cima.com/topic/audit-assurance/audit-and-assurance-greater-than-soc-2>